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SUBJECT: ECONOMIC GROWTH DRIVES THE STORY IN SOUTH INDIA

REF: CHENNAI 0317

¶1. SUMMARY: During a May 14-15 visit to Chennai, Charge d'Affaires Geoffrey R. Pyatt surveyed the dynamic economic climate in south India. Mr. Pyatt visited Ford India's manufacturing facility outside of Chennai, Cognizant Technology Solutions' campus in Chennai's IT corridor, and had lunch with members of Chennai's American Chamber of Commerce. Mr. Pyatt also inaugurated a new pre-screening building to help serve Chennai's rapidly increasing visa clientele, and he visited medical and agricultural institutions in the city. END SUMMARY.

¶2. Ford's managing director told Mr. Pyatt that India's automotive market is poised for dramatic growth. According to Ford, 1.13 million vehicles were sold in India in 2006. Ford expects India's automobile market to increase to 2 million per year by 2010 and 3 million per year by 2015. For its part, Ford currently produces 50,000 vehicles per year in Chennai. Ford plans to expand into the small car market and double its production within three to four years, which will take the plant to its maximum current output of 100,000 vehicles per year. With its eye on further growth, Ford is already taking steps to expand the plant's maximum capacity beyond 100,000 per year.

¶3. Representatives of Cognizant Technology Solutions described their company's remarkable growth story to Mr. Pyatt. Cognizant went from 175 employees in 1994 to more than 40,000 in 2006; over the same period its revenues grew from \$1.7 million to \$1.42 billion. Headquartered in New Jersey, Cognizant is now one of the two largest U.S. employers in India, and the majority of Cognizant's India staff is located in Chennai. Separately, members of the American Chamber of Commerce from a diverse spectrum of industries, including chemicals, pharmaceuticals, business process outsourcing, and electronics manufacturing, echoed the optimism expressed by Ford and Cognizant. They told Mr. Pyatt that they expect to see year-over-year growth rates ranging from 15% to 45% over the next five years.

¶4. Despite the overall atmosphere of optimism, the business leaders with whom Mr. Pyatt met did express concerns over impediments to continued economic growth. Above all, they pointed to meeting human resource requirements as their major challenge (reftel). The president of Ajuba International, a business process outsourcing firm, said that his company faces 15% wage growth and 25% attrition on a yearly basis. These concerns were not limited to the information technology sector: the representatives of the chemical, pharmaceutical, and manufacturing firms said they are facing shortages of engineers, management professionals, and salespeople. All pointed to attrition as a major problem and laughed heartily at a joke that in south India employees who last 18 months usually win their companies' length of service awards. The business leaders also mentioned that increasingly strained infrastructure,

particularly roads, as well rising prices for electricity and water hamper business growth in south India.

¶5. The economic boom described above and the resulting prosperity are the major factors driving non-immigrant visa demand in south India. Non-immigrant visa processing in Chennai is running 73% above the previous year and will easily top 300,000 applications for FY-2007. At the Consulate, Mr. Pyatt inaugurated a new pre-screening building that doubles the number of pre-screening windows to twelve and which, along with six new interview windows recently added, will help post sustain the effort that has cut visa appointment waiting times in Chennai from over five months to under two weeks.

¶6. In addition to meeting with businesses, Mr. Pyatt toured India's largest HIV/AIDS care center, the Government Hospital of Thoracic Medicine in Tambaram, which is the recipient of substantial support from the U.S. Centers for Disease Control. Mr. Pyatt also met with Dr. M.S. Swaminathan, India's "Green Revolution" pioneer and a newly named member of the Raja Sabha, whose center has combined genes from the mangrove to product a salt resistant BT rice that now awaits GOI regulatory approval. Dr. Swaminathan's foundation also highlighted their efforts to develop India's agriculture sector through distance learning and biotechnology.

¶7. COMMENT: Separated by a great deal of distance and culture, south Indians have entirely different concerns than their fellow citizens in the north. While New Delhi focused on the Bahujan Samaj Party's victory in the Uttar Pradesh elections, Tamil Nadu was consumed with news of Dayanadhi Maran's fallout with Chief Minister Karunanidhi and his subsequent ouster as Union IT and Telecommunications Minister. Although Maran's removal was big news, contacts in the IT industry were confident that policy would be unchanged and the environment would remain strong for their

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businesses. END COMMENT.

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